



AUG 14 2013

**United States Department of Agriculture
Rural Development**

The Honorable Mignon Clyburn
Acting Chairwoman
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20544

Re: *In the Matter(s) of the Connect America Fund, WC Docket No. 10-90, National Broadband Plan for Our Future, GN Docket No. 09- 51, Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135, High-Cost Universal Service Support, WC Docket No. 05-337, Developing a Unified Inter-carrier Compensation Regime, CC Docket No. 01-92, Federal-State Joint Board on Universal Service, CC Docket No. 96-45, In the Matter of Universal Service Reform Mobility Fund, WT Docket No. 10-208.*

Dear Madam Chair:

Congratulations on your new role as Acting Chairwoman of the Federal Communications Commission (FCC). We look forward to working with you to fulfill our shared mission of increasing broadband deployment and adoption throughout rural underserved communities. It was a pleasure meeting you last month and discussing our common interest in advancing President Barack Obama's infrastructure investment goals to sustain economic growth and job creation in remote, low-density areas. We look forward to a continuing collaboration with you and the other Commissioners.

Under your leadership, the FCC has made substantial progress toward achieving this goal by making the second round of Connect America Funds (CAF) under Phase I, available for rural areas served by price cap carriers. We strongly applaud this decision which mirrors recommendations made in our February filing that urged the FCC to combine unused CAF funds under Round 1, Phase 1, with the second round of funds. This decision will put much needed capital into rural markets where economic sustainability increasingly depends on access to affordable, broadband-capable networks.

While we are encouraged by the significant progress that has been made recently to improve the effectiveness of the CAF mechanisms for some carriers, much work is still needed to stabilize the investment climate for all rural carriers going forward. The U.S. Department of Agriculture (USDA) remains concerned over network investment in rural communities upon the issuance of

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the USF Transformation Order published in November, 2011 (Transformation Order). There is little doubt that the changes to existing high-cost support rules as well as the pending cuts outlined in the Further Notice of Proposed Rulemaking have also impacted carrier investment decisions.

In the meeting with former Chairman Julius Genachowski on February 15, 2013, we discussed the critical importance of facilitating broadband investment in rural areas to support expanded economic, educational and healthcare opportunities. We appreciate the steps that the FCC took to correct concerns with the quantile regression analysis (QRA) model under the 6th Reconsideration Order published in February, 2013 (Reconsideration Order), and the Order published in July 26, 2013 (July 26th Order). We believe, however, additional actions could be taken to further improve the existing Transformation Order and help the FCC achieve the President Obama's goal of ubiquitous broadband access for America, in order to:

I. Maintain a 15 percent maximum impact of HCLS reduction through 2018 (a total of 5 years at the 15 percent level).

Under the Reconsideration Order, the FCC limited the impact of the QRA cuts to 15 percent for 2013, and more recently extended the limit through 2014 in the July 26th Order. This was an important step for impacted carriers. We believe that more can be done. Further extension of the limit through 2018 will provide these carriers (i) additional time to accordingly adjust their operations and cost structures, and (ii) predictable support levels. Creating an extended glide path would serve to fully uphold the FCC's stated objective of a phased-in approach to its USF reform efforts. Finally, the additional 4-year extended glide path would provide a compromise between the 3-year phase-in of the \$250/month support cap and the 9-year phase-in of ICC terminating access rates to bill and keep.

II. Expand CAF for all carriers provide support for standalone broadband service.

Allowing all carriers the same opportunities to deliver high quality broadband service to their customers will help achieve the FCC's goals outlined in the National Broadband Plan as well as the statutory provisions in Section 706 of the 1996 Telecom Act. Supported services (47 CFR 54.101) should not be limited to the "voice telephony service" definition, but rather expanded to encourage greater adoption of broadband service by rural consumers. We welcome your Public Notice issued on May 16, 2013 seeking comment on options to provide support for standalone broadband transmission service and encourage the adoption of rules to enable this mechanism. We also support the solicitation of input for the best method to enable rural rate of return carriers to participate in CAF Phase 2.

III. Modify the existing waiver process.

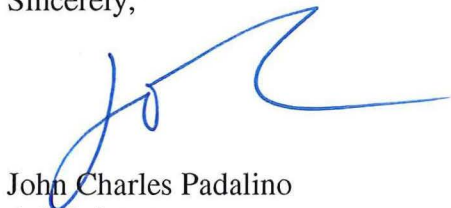
The FCC has employed a waiver process for giving impacted carriers an opportunity to obtain relief from the Transformation Order. It is unclear, however, how the FCC uses specific metrics and standards to determine the merit of each carrier's petition. We encourage the FCC to modify the existing waiver process in order to create a more transparent process for all carriers.

For example, FCC's denial of Adak Eagle Enterprises' waiver application puts this RUS loan at risk for potential default. FCC's reasoning, in part, sets bad precedence that all other outstanding RUS loans to rural providers may be treated in the same manner. We believe that in instances where Federal debt is at risk due to a denied waiver, RUS should be given deference during that decision-making process.

We appreciate the FCC's willingness to consider these important measures that will go far in increasing broadband deployment in rural areas. We are also heartened by the upcoming tutorial session later this month on the QRA model between our respective staffs where we can better partner to achieve our shared goal.

Thank you for your consideration of these recommendations. We look forward to working collaboratively with you to fulfill President Obama's mission for ubiquitous broadband access for rural communities.

Sincerely,



John Charles Padalino
Administrator
Rural Utilities Service